

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 1052

(Senator Ferguson, *et al.*)

Budget and Taxation

Appropriations

**University of Maryland Strategic Partnership Act of 2016**

This bill creates a strategic partnership between the University of Maryland, College Park (UMCP) and the University of Maryland, Baltimore (UMB) to be called the University of Maryland (UM). To that end, the bill makes various changes and requires various planning activities to take place. The bill requires the University System of Maryland (USM) headquarters to move to Baltimore City by July 1, 2017. The bill mandates the appropriation of funds for various purposes beginning in fiscal 2018.

The bill takes effect October 1, 2016.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$4.5 million in FY 2017 to move the University System of Maryland Office (USMO) to Baltimore City. Beginning in FY 2018, general fund expenditures increase by at least \$14.9 million annually due to \$14.0 million in mandated expenditures and \$1.0 million to lease office space and parking (a \$126,000 parking subsidy is anticipated for FY 2018 only). In addition, due to the funding guideline attainment supplement, general fund expenditures for specific public four-year institutions increase by \$4.0 million each year beginning in FY 2018 until the funding is fully phased in at \$16.0 million in FY 2021 and annually thereafter; this also results in additional general fund expenditures for formula-funded higher education institutions beginning in FY 2018. Potential cost savings to the extent administrative functions are consolidated; any savings accrue to UM. **This bill establishes mandated appropriations beginning in FY 2018.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	4.5	19.9	25.4	30.8	36.9
Net Effect	(\$4.5)	(\$19.9)	(\$25.4)	(\$30.8)	(\$36.9)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

**Local Effect:** Local community college revenues and expenditures increase due to additional State aid under the Cade formula, as shown in **Exhibit 2** below.

**Small Business Effect:** Minimal.

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## Analysis

### Bill Summary:

#### *UM College Park Campus and UM Baltimore Campus*

In statute, UMCP is renamed the University of Maryland, College Park Campus (UM College Park Campus) and UMB is renamed the University of Maryland, Baltimore Campus (UM Baltimore Campus). Likewise, the bill makes various conforming changes related to the creation of the strategic partnership between UM College Park Campus and UM Baltimore Campus.

The bill also makes various other specifications related to the continuity of transactions, employment, entities, records, real property, contracts, and other related topics unless otherwise provided.

UM College Park Campus and UM Baltimore Campus must each have a president. In addition to the powers and duties established in the bill, the presidents have the powers and duties conferred to the presidents of the constituent institutions of USM. The presidents must operate and manage UM with the president of each campus having the primary responsibility for that campus. The presidents must jointly develop and implement a plan that encourages and promotes alignment, cooperation, and collaboration between the campuses.

#### *The Plan for the University of Maryland and Other Provisions for Its Operation*

The plan must:

- identify all undergraduate and graduate academic and research programs that may benefit from alignment and collaboration between the campuses;
- identify aspirational peers for UM to be used in the funding guidelines developed under current law;
- promote effectiveness and efficiencies between the campuses, including potential savings in human resources, procurement, and information technology; and

- include any other information and implementation plans to achieve the purpose of UM identified in the bill.

The professional schools or their administrative functions may not be relocated out of Baltimore City. However, there must be collaboration with the professional schools located in Baltimore City; professional school courses may be offered at a location other than Baltimore City. Nothing in the strategic partnership may be construed to prevent or restrict collaboration or coordination between UM and other institutions.

By December 1, 2016, the presidents of the UM campuses must study and recommend to the Chancellor mechanisms that would permit the joint reporting for national university rankings of the UM campuses, including reporting under a unified federal identification number.

The presidents of the UM campuses must have the opportunity to meet with the Governor to present their annual budget requests and proposals for capital projects for the next fiscal year. The bill specifies that the impact of the requested appropriations on the mission of the UM Baltimore Campus, in addition to the UM College Park Campus (in current law), should be discussed with the Governor.

The presidents of the UM campuses must develop a joint plan that includes the assistance of the professional schools in Baltimore and the Schools of Education, Business, Computer Science, Public Health, and Public Policy located in College Park to advance employment levels in Baltimore City, including the creation of entry-level employment opportunities for individuals that includes a plan for on-the-job skills training that will result in a measurable employment skill, certification, or license.

In addition to current items required, the *Consolidated Transportation Program* (CTP) must include a summary of current efforts and future plans to increase commuter access between the campuses of UM, including easing traffic congestion and use of mass transit.

#### *University of Maryland Joint Steering Council*

The council consists of members appointed by the President of UM College Park Campus and the President of UM Baltimore Campus. The council must make various recommendations related to the creation of UM, including those related to joint faculty appointments.

The council is the successor group to MPowering, the State Steering Committee established by the presidents of UMB and UMCP. The council must carry out the programs and policies established under the MPower program as directed by the presidents.

*Center for Maryland Advanced Ventures at the University of Maryland*

The bill establishes the Center for Maryland Advanced Ventures at the University of Maryland (CMAVUM), which must be located in Baltimore City.

CMAVUM must:

- pursue grant funding for UM, including interdisciplinary grant funding;
- develop and implement guidelines for the transfer of technology developed by UM to the private sector including a process to identify research projects that may be viable for commercialization; and
- facilitate the transfer of technology from UM to commercial industries using specified techniques.

The center also must provide these services related to interdisciplinary grant funding and transfer of technology to any public institution of higher education that requests the services. Subject to the approval of the presidents of UM College Park Campus and UM Baltimore Campus, the center may assess a reasonable fee for providing services.

The presidents must appoint an executive director of the center. The executive director must:

- ensure that the duties of the center as established in the bill are carried out;
- develop a plan to appropriately staff the center in order to effectively carry out the duties of the center;
- develop a working relationship with the Secretary of Commerce and the Executive Director of the Maryland Technology Development Corporation (TEDCO); and
- annually report to the presidents of UM College Park Campus and UM Baltimore Campus on specified topics.

TEDCO may advise the executive director of the center on the development of the center.

Beginning in fiscal 2018 and each fiscal year thereafter, the Governor must appropriate at least \$3.0 million in general funds to the center. In addition, beginning in fiscal 2018 and in each fiscal year thereafter, the Governor must appropriate at least \$1.0 million in general funds to the center to be used to encourage the development and location of university-created or -sponsored technology companies in Baltimore City.

### *University of Maryland Center for Economic and Entrepreneurship Development*

The bill establishes the University of Maryland Center for Economic and Entrepreneurship Development (UMCEED), which must be located on UM College Park Campus.

Following all State law, regulations, and processes for program review and approval, UMCEED must advance the education of students by developing degree and credential programs in the following fields of study: virtual and augmented reality; neurosciences; biomedical devices; data analytics; and cybersecurity.

The presidents must appoint an executive director of UMCEED. The executive director must:

- ensure that the duties of UMCEED as established in the bill are carried out;
- develop a plan to appropriately staff UMCEED in order to effectively carry out the duties of UMCEED; and
- annually report to the presidents of the College Park Campus and the Baltimore Campus on specified topics.

Beginning in fiscal 2018 and in each fiscal year thereafter, the Governor must appropriate at least \$10.0 million in general funds to UMCEED.

### *University System of Maryland Move to Baltimore City*

USM must maintain its headquarters in Baltimore City at a place designated by the Board of Regents of USM.

USM headquarters must be located in Baltimore City by July 1, 2017, and the ownership of the current property, including structures, located on Metzerott Road in Prince George's County must be transferred to UM College Park Campus by July 1, 2017.

### *Enhanced Funding Guideline Attainment*

For each year from fiscal 2018 through 2021, the Governor must appropriate in the annual budget at least an additional \$4.0 million to USMO for the purpose of increasing the estimated funding guideline attainment levels of the primarily residential institutions in USM with the lowest estimated funding guideline attainment levels among the primarily residential institutions in USM in fiscal 2016. USM must allocate the funds each year in a manner that brings the primarily residential institutions with the lowest estimated funding guideline attainment levels in fiscal 2016 as close as possible to an estimated 64% funding guideline attainment level by fiscal 2021. The general funds distributed under this requirement are in addition to the annual appropriation for each institution, and they must

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be included in each institution's base budget for all fiscal years after the distribution. Thus, general fund expenditures increase by \$4.0 million in fiscal 2018, \$8.0 million in fiscal 2019, \$12.0 million in fiscal 2020, and \$16.0 million in fiscal 2021 and in each year thereafter.

### *Academic Program Approval*

Nothing in the bill may be construed to alter the academic program approval process under current law.

### *Community Development*

The presidents must report annually to the USM Board of Regents and the Chancellor of USM regarding collaboration with the City of Baltimore, Prince George's County, and the City of College Park in the area of community development.

The General Assembly finds that, because of their position as major anchor institutions and employers in their respective communities, the UM campuses in Baltimore City and Prince George's County have a responsibility and an opportunity to provide collaborative leadership, as well as intellectual, policy, and financial investment, in the development of their respective communities. It is the intent of the General Assembly, therefore, that the UM campuses in Baltimore City and Prince George's County focus their community development priorities in the respective communities in the areas of health care, housing and development, transportation, public safety, public education, and sustainability.

### **Current Law:**

#### *University of Maryland, College Park and University of Maryland, Baltimore*

UMCP and UMB are two separate constituent institutions of USM.

#### *University System of Maryland Office*

In addition to other powers, USM may maintain an office at the place the Board of Regents of USM may designate. The office is currently located on Metzerott Road in Prince George's County.

#### *Consolidated Transportation Program*

Long-term transportation planning in the State is a collaborative process designed to consider input from the public, local jurisdictions, metropolitan planning organizations, and elected officials. State law requires the Secretary of Transportation to present the draft

CTP to elected officials and discuss it with them. CTP, which is issued annually to the General Assembly, local elected officials, and interested citizens, provides a description of projects proposed by Maryland Department of Transportation (MDOT) for development and evaluation or construction over the next six-year period.

**Background:** UMCP, a comprehensive public research university, is the flagship institution of USM and Maryland's 1862 land-grant institution. UMCP offers baccalaureate, master's, and doctoral programs in the liberal arts and sciences, social sciences, the arts, and selected professional fields. UMCP also serves the State's agricultural, industrial, and commercial communities, as well as school systems, governmental agencies, and citizens. The Governor's proposed fiscal 2017 budget includes \$2.0 billion for UMCP, including \$473.8 million in general funds and \$23.8 million in higher education investment funds (HEIF). During the 2014-2015 academic year, approximately 37,000 students attended UMCP.

UMB comprises six professional schools and an interdisciplinary graduate school that educates students, conducts research, and provides clinical services in dentistry, law, medicine, nursing, pharmacy, and social work. The Governor's proposed fiscal 2017 budget includes \$1.1 billion for UMB, including \$210.4 million in general funds and \$10.7 million in HEIF. During the 2014-2015 academic year, almost 6,300 students attended UMB.

USMO is staff to the USM Board of Regents. The Governor's proposed fiscal 2017 budget includes \$39.2 million, including \$29.6 million in general funds and \$1.1 million in HEIF. USMO has 110 full-time regular and 6 contractual positions; however, not all of them are housed at USMO headquarters. USMO advises, as of February 2016, 105 full-time employees are based at USMO headquarters on Metzerott Road.

### *MPowering*

In 2011, the General Assembly charged the USM Board of Regents and, thus, UMCP and UMB with developing a plan to have an even greater impact on the State, its economy, the job market, and the next generation of innovators. The result, MPowering, was launched in 2012.

Language in the fiscal 2014 budget restricted \$6.7 million of USM's appropriation to be used to fund MPowering initiatives and programs. These activities were part of an alliance between UMCP and UMB leveraging the resources of each institution to further advance transitioning research from laboratory to commercial application. The MPowering [website](#) lists 13 initiatives, including the Agriculture Law Education Initiative and the Center for Health-Related Informatics and Bioimaging.

### *Funding Guideline Attainment*

Funding guidelines were used beginning in fiscal 2001 to assess how public four-year institutions in Maryland were funded relative to their peers, except St. Mary's College of Maryland, which has a statutory funding formula. The funding guidelines are not mandated in law. Colleges and universities throughout the United States that are similar in size, program mix, enrollment composition, and other defining characteristics were identified for each Maryland four-year public institution as the institution's "funding peers." Beginning in fiscal 2015, the funding guidelines were revised to reflect institutions' peers in states that Maryland principally competes with for employers, *i.e.*, competitor states (California, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia, and Washington).

The funding guideline for each institution is calculated by determining the seventy-fifth percentile of the sum of state appropriation and tuition and fee revenue per full-time equivalent student of the competitor state peer institutions. The resulting per student rate is multiplied by the institution's projected enrollment to determine the recommended resources. Projected institutional tuition and fee revenue is then subtracted from the recommended resources. The remainder represents the State investment. Funding guideline attainment is expressed as a percentage with the goal being 100%. Since 2009, the guideline for the historically black colleges and universities has been tied to the eightieth percentile. As shown in **Exhibit 1**, under the fiscal 2016 estimated funding guideline attainment, Towson University (TU) and the University of Maryland, Baltimore County (UMBC) had the lowest funding guideline attainment of the residential public four-year institutions within USM. The University of Maryland, University College is not a primarily residential institution.



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**Exhibit 1**  
**Funding Guideline Attainment for USM institutions**  
**Fiscal 2016 Estimate**

<b><u>Institution</u></b>	<b><u>Fiscal 2016 Funding Guideline</u></b>	<b><u>Fiscal 2016 Legislative Appropriation</u></b>	<b><u>Fiscal 2016 Attainment</u></b>
Bowie State University	\$46,880,371	\$41,525,890	<b>89%</b>
Coppin State University	34,861,742	44,755,130	<b>128%</b>
Frostburg State University	45,444,946	38,470,741	<b>85%</b>
Salisbury University	66,992,685	47,533,057	<b>71%</b>
Towson University	177,855,983	107,050,342	<b>60%</b>
University of Baltimore	53,756,094	34,639,444	<b>64%</b>
UM, Baltimore	317,827,128	215,405,339	<b>68%</b>
UM Baltimore County	189,588,395	111,151,119	<b>59%</b>
UM Center for Env. Science	27,468,459	22,353,347	<b>81%</b>
UM, College Park	644,606,126	480,925,509	<b>75%</b>
UM Eastern Shore	49,051,468	38,083,911	<b>78%</b>
UM University College	72,352,702	38,596,667	<b>53%</b>
USM Office		23,567,555	
<b>USM Total</b>	<b>\$1,726,686,099</b>	<b>\$1,244,058,051</b>	<b>72%</b>

UM = University of Maryland; USM = University System of Maryland

Source: Maryland Higher Education Commission; Department of Legislative Services

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**State Expenditures:** In total, general fund expenditures increase by \$4.5 million in fiscal 2017 increasing to \$35.8 million by fiscal 2021, as shown in Exhibit 2. General fund expenditures increase by an estimated \$4.5 million in fiscal 2017 to move USMO to Baltimore City. Beginning in fiscal 2018, general fund expenditures increase by \$14.9 million annually due to \$14.0 million in mandated expenditures and an estimated \$1.0 million to lease office space and parking (parking subsidy for one year). Due to the funding guideline attainment provision in the bill, general fund expenditures for specific public four-year institutions increase by \$4.0 million in fiscal 2018, \$8.0 million in fiscal 2019, \$12.0 million in fiscal 2020, and \$16.0 million in fiscal 2021 and in each year thereafter. Also beginning in fiscal 2018, general fund expenditures for the Baltimore City Community College (BCCC) and Senator John A. Cade (local community colleges) funding formulas increase due to the additional base funding for public four-year institutions mandated by the bill. Likewise, beginning in fiscal 2018, eligible private four-year institutions of higher education receive additional funding through the Joseph A. Sellinger formula. The information and assumptions used in this estimate are explained below.

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**Exhibit 2**  
**Expenditures under the Bill**  
(\$ in Thousands)

	<b><u>Fiscal</u></b> <b><u>2017</u></b>	<b><u>Fiscal</u></b> <b><u>2018</u></b>	<b><u>Fiscal</u></b> <b><u>2019</u></b>	<b><u>Fiscal</u></b> <b><u>2020</u></b>	<b><u>Fiscal</u></b> <b><u>2021</u></b>
Moving USMO Headquarters	\$4,450	\$126			
USMO Ongoing Operating		880	\$880	\$880	\$880
CMAVUM		4,000	4,000	4,000	4,000
UMCEED		10,000	10,000	10,000	10,000
USM Funding Guidelines		4,000	8,000	12,000	16,000
BCCC			274	426	597
Local Community Colleges		696	1,805	2,884	4,276
Sellinger		194	403	627	1,175
<b>Total</b>	<b>\$4,450</b>	<b>\$19,896</b>	<b>\$25,362</b>	<b>\$30,816</b>	<b>\$36,928</b>

USMO = University System of Maryland Office

CMAVUM = Center for Maryland Advanced Ventures at the University of Maryland

UMCEED = University of Maryland Center for Economic and Entrepreneurship Development

USM = University System of Maryland

BCCC = Baltimore City Community College

Notes: Moving USMO headquarters includes \$126,000 in parking expenses in fiscal 2018. Due to BCCC's hold harmless provision, there is no additional funding in fiscal 2018. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

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*USMO Move to Baltimore City*

General fund expenditures increase by an estimated \$4.5 million in fiscal 2017 for one-time costs associated with moving USMO headquarters to Baltimore City. USMO estimates that there will be several one-time costs associated with moving its headquarters to Baltimore City. USMO estimates that it will cost \$74 per square foot to fit-out the leased space, or \$2.3 million. USMO estimates that furnishings and equipment for a mix of partition systems and private offices will be \$1.8 million, and that information technologies (IT) communications infrastructure with USMO staff doing much of the installation will be \$300,000. USMO did not include any costs for actually moving; however, for the purposes of this estimate it is assumed that it will cost \$100,000 to move.

Since UMCP already owns the USMO headquarters building, expenditures are not affected by the requirement to transfer the building. UMCP currently owns and operates the USMO headquarter building on Metzerott Road in Prince George's County.

It is assumed that USMO will need to move approximately 105 full-time positions to Baltimore City. Since UMCP owns and operates the building USMO currently occupies, USMO expenditures may need to increase to rent building space in Baltimore City, beginning in fiscal 2018, if a situation similar to the current rent-free situation cannot be arranged with a USM institution or other State facility in Baltimore City.

USMO advises that it will need to rent 30,000 square feet of Class A office, administrative support, services, IT, and meeting space in Baltimore City for its 105 employees. USMO estimates Class A office space in Baltimore City is \$25 per square foot. USMO estimates utilities costs at roughly \$130,000 per year. Thus, general fund expenditures increase by \$880,000 per year beginning in fiscal 2018.

In addition, it is assumed that USMO will pay a parking supplement for 105 employees for the first year after the move, fiscal 2018, because parking at the USMO current facility is free. As stated in the Department of Legislative Services (DLS) fiscal 2013 [operating budget analysis for the Maryland Higher Education Commission \(MHEC\)](#), when MHEC moved from Annapolis to Baltimore City, MHEC leased parking spots for its employees for one year, since parking in Annapolis had been free. It is assumed that a parking supplement will be \$126,000, which assumes that parking costs will be \$100 per month. USMO advised that the parking supplement would be an ongoing cost; however, DLS assumes that employee will only receive a parking supplement for one year, similar to MHEC employees.

The fiscal 2017 budget, as amended by the Senate, includes \$3.2 million for fiscal 2016, contingent on enactment of Senate Bill 1052 or House Bill 1607, to be used only for expenses related to relocating USMO to Baltimore City. The final budget must be enacted by both houses.

#### *UMCEED and CMAVUM*

Beginning in fiscal 2018, the Governor must appropriate at least \$10.0 million in general funds annually to UMCEED. It is assumed that the executive director and staff for UMCEED that are mandated by the bill as well as all other costs associated with hiring the staff such as benefits, materials, and space will be paid using the mandated appropriation funds. It is assumed that these costs will be less than \$10.0 million annually; thus, general fund expenditures for UMCEED do not increase beyond the mandated \$10.0 million. Beginning in fiscal 2018 the Governor must appropriate at least \$3.0 million annually for CMAVUM and \$1.0 million annually to CMAVUM, to encourage the development and

location of UM-created or -sponsored technology companies in Baltimore City. It is assumed that the executive director and staff for CMAVUM that are mandated by the bill as well as all other costs associated with hiring the staff such as benefits, materials, and space will be paid using the mandated appropriation funds.

It is assumed that the appropriations to UMCEED and CMAVUM are made directly to the centers and are *not* in the appropriation for UM College Park Campus or UM Baltimore Campus. However, if the UMCEED appropriation is included in UM College Park Campus' appropriation, then formula-funded institutions of higher education receive increased funding in addition to the amounts shown in Exhibit 2.

### *USM Funding Guideline Attainment*

For fiscal 2018 through 2021, the Governor must appropriate at least an additional \$4.0 million to USMO for the purpose of increasing the estimated funding guideline attainment levels of the primarily residential institutions in USM with the lowest estimated funding guideline attainment levels in fiscal 2016 (*i.e.*, TU and UMBC). The funds will be distributed to the primarily residential institutions with the lowest estimated funding guideline attainment level in fiscal 2016, thereby increasing revenues for the eligible institutions by a total of \$4.0 million each fiscal year from fiscal 2018 through 2021. Since the general funds distributed under this requirement must be included in each institution's base budget for all years after the distribution, general fund expenditures for USM increase by \$4.0 million in fiscal 2018, by \$8.0 million in fiscal 2019, by \$12.0 million in fiscal 2020, and by \$16.0 million in fiscal 2021 and every fiscal year thereafter.

### *Formula-funded Institutions of Higher Education*

Since the total State appropriation for selected public four-year institutions, which includes TU and UMBC, is used to calculate the statutory funding amounts for the BCCC and Cade funding formulas, funding for these formulas also increases beginning in fiscal 2018 as shown in Exhibit 2. Likewise, the statutory funding amounts for the Sellinger funding formula increase beginning in fiscal 2018 as shown in Exhibit 2.

### *Other*

UM operating costs may decrease depending on the degree to which administrative functions at the two campuses are consolidated, while other operating costs may increase due to the strategic partnership between the College Park and Baltimore campuses. These costs cannot be reliably estimated; any net savings accrue to UM.

MDOT advises it can add the required information to the CTP using existing resources. MHEC can make the minor administrative changes using existing resources. TEDCO is not affected.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1607 (Delegate Anderson) – Rules and Executive Nominations.

**Information Source(s):** Maryland Technology Development Corporation; Maryland Higher Education Commission; University System of Maryland; University of Maryland, College Park; Department of Budget and Management; Maryland Department of Transportation; Department of Legislative Services

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